DOCUMENT RESUME

ED 301 505 SO 019 457

AUTHOR Savino, Ronald J.
TITLE The Stock Market and Economic Principles: A Curriculum Project.
PUB DATE 1 May 87
NOTE 12p.; Paper submitted to The Joint Council on Economic Education for the National Awards Competition. Curriculum guide is not included.
PUB TYPE Guides - Classroom Use - Guides (For Teachers) (052)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Class Activities; *Economics Education; Evaluation Criteria; High Schools; *Investment; Resource Materials; *Student Projects; Teacher Developed Materials
IDENTIFIERS Corporations; *Macroeconomics; *Stock Market

ABSTRACT

This paper outlines how to teach macroeconomic principles through mock stock market investing while helping students develop economic awareness, interest, and comprehension on a more sophisticated level. The basic textbook is "The Economy Today" (B. R. Schiller). After two weeks of teaching basic economic concepts and vocabulary, such as capitalism, socialism, the business cycle, and the flow of economic activity, basic market terminology is introduced through activity sheets developed by the New York Stock Exchange and a workbook, "You and the Investment World." The students are taught about the role of securities in the U.S. economy, the organization of the stock market, and the process of stock trading, while the activity sheets assist students in understanding newspaper stock tables, factors that influence stock prices, and securities' safeguards. Corporation reports are used to introduce products and financial status as students seek investment possibilities. Students begin their mock stock portfolios by investing in four or five corporations and monitoring their investments through the stock market prices listed in newspapers. Each stock portfolio is evaluated on: (1) stock monitoring and gains and losses; (2) the graphs for each stock reflecting price fluctuations; and (3) the accompanying report of economic issues relating to the purchased stock and the analysis and observation of market trends. In addition, 10 major essay examinations and 12 quizzes are given. (DJC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED301505

A CURRICULUM PROJECT

THE STOCK MARKET AND ECONOMIC PRINCIPLES

Submitted to

THE JOINT COUNCIL ON ECONOMIC EDUCATION

for

THE NATIONAL AWARDS COMPETITION

Ronald J. Savino

HALL HIGH SCHOOL

WEST HARTFORD, CONNECTICUT

May 1, 1987

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Ronald J. Savino

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

SO 019 457

BEST COPY AVAILABLE

ABSTRACT

Students will develop a mock stock portfolio investing between twenty-five thousand and thirty thousand dollars. They select four or five stocks of different corporations; diversification of various industries is encouraged. The overall aim is to create a practical and stimulating learning experience that will make the study of macroeconomic principles more relevant to upper level students. For most of these students this is their first experience dealing with economic principles.

After a basic introduction to economics and the stock market, each student makes their initial purchase using week ending prices found in Sunday business stock tables from newspapers. Each week students record closing stock prices including their total gains and losses. It is also expected that any major economic events that occurred during the week be noted as to its affects on individual stocks or on the direction of the market in general.

Another part of the project is to place each stock on a graph which will indicate price fluxuations as it changes from week to week. Any stock splits, new purchases and sales will be shown on the graphs. Students can buy and sell stock at their own discretion using closing prices found in the business section of newspapers on the day after they decide to perform their transaction.

The most important part of the project is in the conclusion where students are expected to relate their total learning experiences while participating in the stock market. Comments about their specific corporations strength or weakness are encouraged. Students are also urged to use as much depth as possible, especially important is how principles and conditions influenced their investment experience.

RATIONALE

The rationale for using this project is to develop economic awareness, interest and comprehension on a more sophisticated level. The attempt is to relate macroeconomic principles to the practical experience of individuals investing in the stock market. The basic rationale being if one has a command and understanding of economic principles and can read economic indicators, they can make logical decisions when to participate in the stock market. This is a way to develop immediate student interest in a course that uses a first year college level text. Students tend to pay more attention to business and economic reports as well as the economic principles covered in the course.

My concern as a teacher is to expand economic awareness to as many Hall High students as possible. Students are attracted to the course because they are interested in finances and have heard from others about the project. It is my belief that economic education needs to be expanded on all levels so there is greater awareness in our society. This can begin in developing high school curriculums that should include economic courses that are more challenging, interesting, and provide both practical and theoretical experiences. The stock project together with the study of macroeconomic principles is an attempt to meet these goals.

GOALS AND OBJECTIVES

Goals:

to contribute to students economic understanding and long term economic literacy.

to create a practical experience that will reinforce the comprehension of macroeconomic principles.

to have students develop an awareness and understanding of business and financial reports as they relate to and are influenced by general economic conditions.

Objectives:

to help students realize that with information about business, government, and economics they can have more control over their financial livelihood.

to understand and apply the law of supply and demand to market equilibrium which relates to corporation profits.

to convey economic market behavior that leads to unemployment, inflation, deflation, recession or economic growth and stability.

to introduce national income accounting to enable student to identify economic problems and gauge their severity.

to understand how changes in government fiscal policy will affect the economy and influence the financial markets.

to identify Federal Reserve policy that produces changes in money supply and affect interest rates and the demand for goods and services.

to be able to read stock tables, business reports, and economic indicators.

Students should be able to identify that stocks move in anticipation of future economic conditions and corporate earnings. They should be aware that the government index of leading economic indicators can be used to indicate general direction. Students should understand that inflation, high interest rates, and a tight monetary policy set by the Federal Reserve make it difficult for corporation growth, thus making stock ownership more risky. They should also become aware that the reverse of these economic

conditions produce a favorable environment for corporation growth. Students will understand the relationship between unemployment, recession and an unfavorable balance of trade as they indirectly and directly affect stock prices. Students are also taught a low price/earnings ratio gives an individual a measurement to use that indicates general stability and strength of a particular corporation. Finally, students should be able to understand the interdependence between consumers, business and government. In other words, the economy should be viewed as an abstraction that refers to the sum of all our production and consumption activities. Therefore, what we collectively produce is what the economy produces; what we collectively consume is what the economy consumes.

PROCEDURES

At the start of each semester the procedure is to spend two weeks with basic economic concepts. This helps acquaint students with basic background and terminology. After these basic concepts are covered and before the macroeconomic part of the course, seven to eight class periods are used to introduce the stock market and investing. Students are introduced to the operation, purpose, and general activities of the stock market. Activity learning sheets, film strips, speakers and various corporation annual reports are used to meet these objectives. Time is spent with the Wall Street Journal and New York Times business section so that students can learn to read and comprehend stock tables as well as other financial and economic data.

After this mini unit has given the students a general introduction to the stock market the assignment of a mock portfolio is given. This is basically a semi-independent project which allows students with various abilities and motivations to learn on their own level and to have a practical experience to go along with abstract principles. Students purchase stock "investing" between twenty-five and thirty thousand dollars. They are encouraged to select four or five corporations from different industries using with the New York or American Stock exchanges. The first page of their report will include the issues, number of shares purchased, as well as brokers' commissions. Students use week ending prices found in Sunday stock tables as the basis for their initial cost as well as for weekly monitoring.

Each week students figure profits or losses from the previous week by listing closing prices. Most important is to analyze and make observations, when applicable, about economic conditions or trends that caused upward or downward movements in the market. Another feature is to place each stock on a graph using price changes per week. Every Monday five to ten minutes are devoted to questions and discussion on the project; an attempt is made to tie in current units of study.

Students are aware that the conclusion of their project is most important. They should relate what they learned about the stock market and how learning economic principles tie in to investing. How the individual can spot trends, time investments, and know what economic indicators mean can make him/her more successful and a contributing member of our society. This stock portfolio report is submitted in the nineteenth week of the course after they have had ten major essay exams and twelve quizzes. The only thing remaining is their final exam.

The majority of the course is concerned with the study of macroeconomic principles. Each week a chapter from the text The Economy Today is covered. Students fill out worksheets and answer problems based on concepts and principles from the content of each chapter. Discussion and lectures attempt to reinforce the material covered. The sixteen chapters represents the macroeconomics part of the textbook.

CONTENT

Students are first acquainted with the nature of economics including goals, problems of scarcity, fundamental questions of survival and basic vocabulary. Next follows the advantages and disadvantages of capitalism and socialism, the business cycle and the circular flow of economic activity. About the middle of the third week basic supply and demand, the market mechanism and market equilibrium are discussed.

Then in preparation of their stock project students ar taught basic market terminology. Film strip and overhead projector material are used first. Activity sheets are also used in class and for homework; this material was developed by the New York Stock Exchange. Included in this material is a workbook called "You and the Investment World". Specifically, students are taught about the role of securities in the American economy, the organization of the market, and the process of trading a stock. Other activity sheets assist students in understanding newspaper stock tables, factors that influence stock prices, and safeguards within the securities market. The workbook acquaints students with facts about the important role capital and technology play in the American economy.

Students are acquainted with fifty corporation annual reports, thus learning about their products and financial status. The reports are passed around informally and students discussion is encouraged as they seek to learn about the best corporation to invest in. The class does outside research in selecting their four

to five stocks they plan to "buy". After they purchase their stocks the monitoring and project begin as previously discussed in the procedure.

Over the next sixteen weeks macroeconomic principles are taught as the students continue to monitor their stocks each week. The text used is The Economy Today by Bradley R. Schiller. I have enclosed the curriculum guide I co-authored on Economic Principles and Theories for the West Hartford Public Schools. The curriculum guide includes the complete content and resources used for this course and project.

Principles of supply and demand, public versus private sector and national income accounting are covered in one section. Next, macroeconomic problems and alternative solutions cover concepts dealing with inflation, stabilization problems, the adjustment process and the role of fiscal policy. The last major section covers our commercial banking system and the role of the Federal Reserve System as it relates to monetary policy.

As these theories are discussed and various problems worked out the emphasis is placed on how the individual through awareness can apply them to practical situations. Some examples are the personal investments of stocks and bonds, or the morgaging of a home. Connecting theory with practice is especially important in order to maintain student interest and develop economic foundations that will serve as building blocks for future economic training.

SUMMARY

Students relate that the mock stock project is a rewarding experience because it seems "so real". As one student said, "It makes us want to learn the concepts that make the economy function so we can be successful investors." I feel the projects success can be seen by students' motivation and interest during the course. The majority do extremely well on the projects and on their many essay exams on the principles. The feedback I have received from many former students has been very positive. Not only have they expressed how it prepared them for college macroeconomics, but many have elected to major in the subject.

The students who are attracted to this course range from above average to honor roll juniors and seniors who plan to attend college. They tend to realize that it will prepare them for the future and the real world. The most significant reward I received from teaching this course comes from the students who had little interest in economics or any knowledge of the stock market, but who by the end cannot put down The Wall Street Journal.

EVALUATION

Student stock portfolios are turned in at the conclusion of the semester. Criteria used for evaluation include completion of each weeks monitoring-stock listings, gains or losses, and a few observations concerning the economy in general or specific facts influencing market conditions. Accuracy and neatness is important (especially for their graphs) in conveying overall effort. As previously noted, the conclusion is the most important part of this project where students should relate economic concepts that influence market behavior. Profits or losses from the mock portfolio do not influence students' grades.

When I developed this project eight years ago I had no idea the amount of interest and enthusiasm it would generate. Since Economic Principles is preceived as a difficult elective course the idea was to attract students into the program using the stock project as an interesting feature. Most of these projects are good to excellent and my students have no problem with identifying economic concepts that affect the stock market. Students with more ability, creativity, or motivation usually produce excellent pieces of work. (I have included administrative and student evaluations and four student stock projects as well as some essay exams from the course.)